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**3 SEM TDC AFAC 1 (Sp)**

**2 0 1 4**

( November )

**COMMERCE**

( Speciality )

Course : 301

**( Advanced Financial Accounting )**

Full Marks : 80

Pass Marks : 32

Time : 3 hours

*The figures in the margin indicate full marks  
for the questions*

**1. (a)** Choose the correct answer : 1×3=3

(i) As per RBI's Prudential Accounting Norms, provision required for standard assets is @ 0.40% / @ 10% / @ 20%.

(ii) Commission on reinsurance ceded deals with Schedule 2/Schedule 3/Schedule 4 in Revenue Account.

(iii) Accounting for investments deals in AS-13/AS-14/AS-15.

(b) Fill in the blanks : 1×3=3

- (i) In current cost accounting method, depreciation is to be computed on the — of fixed assets.
- (ii) Under the Presidency Towns Insolvency Act, 1909, rent is considered as preferential creditors up to —.
- (iii) In banking company's final accounts, Schedule 12 is associated with —.

(c) Write True or False : 1×2=2

- (i) Partly paid-up investments in an insurance company is considered as contingent liabilities.
- (ii) According to the provisions of the Insolvency Act, any amount due to government or local authority is known as preferential creditor.

2. Write brief answer of the following : 4×4=16

- (a) What is rebate on bill discounted and how is it treated in the final accounts of banking companies?
- (b) Explain the list of creditors to be prepared by a debtor when he/she becomes insolvent.



- (c) What are the limitations of historical accounting in a period of inflation?
- (d) Explain cum-interest purchase and ex-interest purchase.
3. (a) From the following information, prepare Profit & Loss A/c of Assam Bank Ltd. for the year ended 31st March, 2014 (working should form part of your answer) :

11

₹

Interest on Loan	3,00,000
Interest on Fixed Deposits	2,75,000
Commission	10,000
Exchange and Brokerage	20,000
Salaries and Allowances	1,50,000
Discount on Bills (Gross)	1,52,000
Interest on Cash Credits	2,40,000
Interest on Temporary Overdrafts in Current Account	30,000
Interest on Savings Bank Deposits	87,000
Postage, Telegram and Stamps	10,000
Printing and Stationery	20,000
Sundry Expenses	10,000
Rent	15,000
Taxes and Licenses	10,000
Audit Fee	10,000

*Additional Information :*

- (i) Rebate on bill discounted—  
₹ 30,000
- (ii) Directors' fees and allowances—  
₹ 30,000
- (iii) Bad Debts—₹ 40,000
- (iv) Provision for Income Tax is to be made @ 55% (round off to nearest thousand)
- (v) Interest of ₹ 4,000 on doubtful debts was wrongly credited to interest on Loan Account
- (vi) Transfer 20% of Net Profit to statutory reserve and provide ₹ 15,000 as dividend

*Or*

- (b) Explain the RBI's Prudential Accounting Norms as recommended by the Narasimham Committee.

4. (a) From the following particulars, you are required to prepare Fire Revenue A/c for the year ended 31st March, 2013 :

	₹
Claims paid	4,80,000
Claims outstanding on 1st April, 2012	40,000
Claims intimated but not accepted on 31st March, 2013	10,000



	₹
Claims intimated and accepted but not paid on 31st March, 2013	60,000
Premium received	12,12,000
Reinsurance premium paid	1,20,000
Commission	2,00,000
Commission on reinsurance ceded	10,000
Commission on reinsurance accepted	5,000
Expenses of management	3,17,000
Reserve for unexpired risk on 1st April, 2012	4,00,000
Additional reserve for unexpired risk	20,000
Reinsurance recoveries of claims	8,000
Sundry expenses regarding claims	5,000
Loss on sale of motorcar	5,000
Bad debts	3,000
Refund of double taxation	5,000
Interest and dividends	6,000
Income tax deducted thereon	1,000
Legal expenses regarding claims	3,000
Profit on sale of investments	2,000
Rent of staff quarters deducted from salaries	2,000
Depreciation on furniture	6,000

You are required to provide an additional reserve for unexpired risks at 1% of the net premium in addition to the opening balance.

11

Or

- (b) Explain the financial statements that are to be prepared by the life insurance companies as per the IRDA Regulations, 2002.

5. (a) From the following Trial Balance of Mr. X, who commenced business on 1st January, 2012, you are asked to prepare a Statement of Affairs and a Deficiency A/c :

11

	₹		₹
Cash	2,300	Creditors	1,80,000
Stock-in-Trade	6,660	Secured Creditors	25,000
Debtors (all goods)	1,30,000	Preferential Claims	
Furniture	2,820	for Rent	1,900
Investment in Shares	5,000	Capital	13,500
Value of Securities		Profit (2010, 2011)	55,540.
held by Creditors	35,000		
Loss (2012)	25,000		
Drawings (up to			
December, 2012)	69,160		
	<u>2,75,940</u>		<u>2,75,940</u>

Or

- (b) Distinguish between the following :

5½×2=11

- (i) A Statement of Affairs and a Balance Sheet
- (ii) The Presidency Towns Insolvency Act and the Provincial Insolvency Act



6. (a) On 1st April, 2012, Ashok Ltd. had 12% government bonds amounting to ₹ 4,00,000 at ₹ 96 (face value being ₹ 100 each), interest being payable on 31st March and 30th September every year. On 1st June, 2012, Ashok Ltd. sold 12% government bonds of ₹ 1,00,000 at ₹ 98 ex-interest.

Show 12% Government Bonds A/c for the year ended 31st March, 2013. At the end of the year, the market value of the bonds was ₹ 99 each (ex-interest). 12

Or

- (b) Write explanatory notes on the following : 6+6=12

(i) Cum-interest sale and Ex-interest sale

(ii) Jobbers and Brokers

7. (a) A company has the following transactions at the given dates and price indices for the first quarter, 2014 :

	₹	Price Index
Opening balance (January 1)	6,000	100
Cash sale (February 1)	17,500	105
Payment to creditors (March 1)	12,000	108
Cash purchase (March 1)	2,000	108
Payment of expenses (March 31)	2,000	110
Closing balance (March 31)	7,500	110

Calculate monetary gain or loss. 11

Or

(b) What do you mean by Inflation Accounting? Discuss the limitations of historical accounting in a period of inflation.

5+6=11

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